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“A FAIR DAY’S PAY FOR A FAIR DAY’S WORK:”¹ **The Importance of Family-Supporting Wages during the Economic Recovery**

KEY FINDINGS:

- **Over the last decade, those who worked for the lowest wages in North Carolina saw their wages decline in real dollars.**
 - **Ensuring adequate wages for low-income workers is critical for families trying to make ends meet as well as an important strategy for stimulating the economy.**
 - **Enforcing protections that ensure workers are paid for all of the hours they work is not only fair but also important for family and community well-being.**
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Overview

An adequate wage provides the stability that allows employees to support their families, make meaningful contributions to their communities and society, and remain reliable and productive employees. For many low-income workers in North Carolina, however, wages are insufficient to meet even the most basic of needs—and in the worst cases, wages are illegally withheld by employers. In this era of sluggish recovery, North Carolina faces the significant challenge of not only creating family-supporting jobs but ensuring that those already working in low-wage occupations are able to achieve self-sufficiency through work.

In 2009, more than 360,000 working families, or 34.8 percent of all North Carolina’s working families,² earned low incomes, meaning they earned 200 percent or less of the federal poverty level for their family size (\$44,106 for a family of four).³ That is an increase of approximately 30,000 low-income working families from just two years earlier and an increase of over 70,000 families from 2000 when 30.2 percent of working families were low-income.⁴ Moreover, in the last decade, those who worked for the lowest wages—workers in the lowest fifth of the income distribution— saw a decline in inflation-adjusted wages of approximately 1 percent, almost \$240 for an annual income, a significant amount that can translate to twelve days’ worth of food for a family of four.⁵ In contrast, workers in the 80th percentile, or the highest wage earners, saw their wages increase by 4.97 percent.⁶

North Carolina’s tight job market and high unemployment rate mean low-wage workers have little opportunity to get better-paying jobs, and formerly middle-income workers are finding that low-paying jobs are the only jobs available. This triple hit of reduced economic mobility, high unemployment, and declining real wages means more and more families are relying on inadequate low-wage earnings. It should also prompt state leaders to examine how they can create policies that set and enforce adequate wage standards.

Creating Opportunity and Rebuilding North Carolina’s Economy

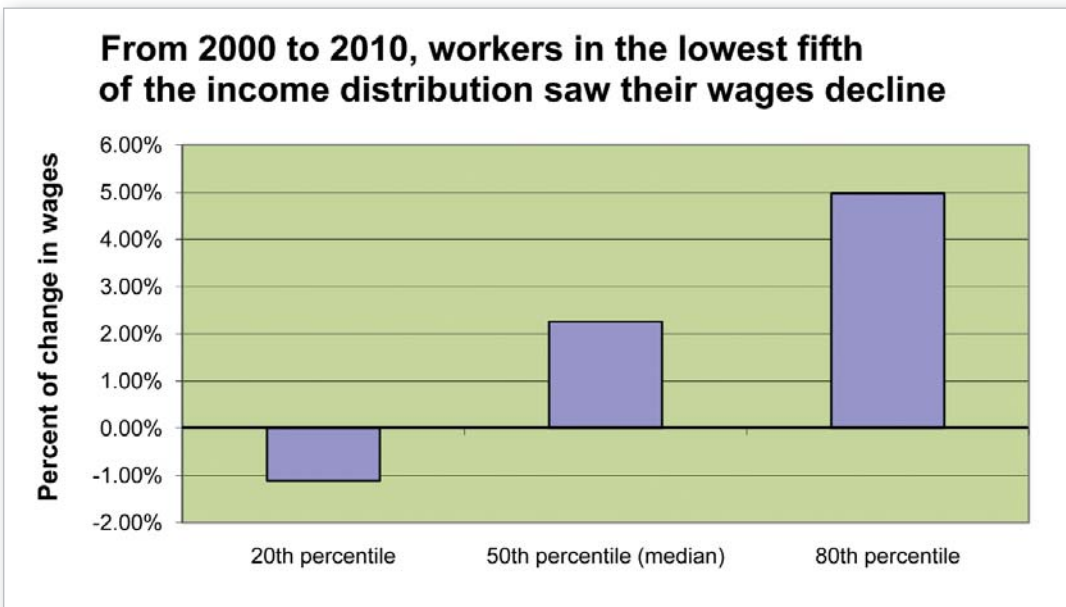
Paying workers a living wage allows them to put food on the table and, on a societal level, helps alleviate poverty and inequality. Ensuring a family-supporting wage is also an important strategy for stimulating the economy.

Author:
Sabine Schoenbach
919/856-2185
sabine@ncjustice.org
www.ncjustice.org

North Carolina
Justice Center
P.O. Box 28068
Raleigh, NC
27611-8068

www.ncjustice.org

- **Paying workers adequate wages boosts consumer spending.** Unlike high-income earners who may be able to afford to save their money, low-income working families spend wages on basic needs at local businesses, thereby putting money into the local economy and allowing small businesses to expand and create jobs.⁷ Increasing their wages would boost their spending power and accelerate the economic recovery.
- **Paying workers adequate wages reduces employee turnover and helps curb costs for employers.** Research shows raising worker wages, especially in low-wage industries, reduces turnover because better-paid workers tend to stay with their employers longer. For instance, a study looking at the effects of wage increases for San Francisco airport workers found that annual turnover for screeners decreased by 80 percent after average hourly wages were increased from \$6.45 to \$10 per hour.⁸ The reduction in employee turnover can translate to significant savings by reducing the costs of recruitment and retraining.⁹



SOURCE: Economic Policy Institute analysis of Current Population Survey data.

North Carolina workers deserve a “fair day’s pay”
 Work has value, and those who work and contribute to society and the economy should be able to earn wages sufficient to meet a basic level of subsistence. Updating wage standards such as the minimum wage for today’s reality and ensuring that all workers are paid a fair wage are essential not only for families struggling to make ends meet but for the state’s struggling economic recovery.

- **Ensure that workers are paid for all hours worked.** There is growing evidence that wage theft, the illegal withholding of wages by employers, is an increasing problem in the United States due to antiquated or under-enforced laws.¹⁰ The available data from the North Carolina Department of Labor’s Wage and Hour Bureau shows that state regulators investigated 1,421 employers in 2010 and that workers were due total wages in excess of \$3.7 million. For an additional 2,248 workers more than \$1.9 million were recovered without litigation.¹¹ While these numbers suggest widespread abuses, they only cover claims brought to the Department of Labor’s attention and may not represent the full scope of wage theft; therefore, more data is needed.¹²

Wage theft is not only devastating for workers; it impacts North Carolina’s fragile economic recovery. A lack of adherence to wage laws results in a decline in spending power and less demand for local goods and services. It also robs state and local governments of vital tax revenue. Finally, wage theft forces responsible employers into unfair competition and brings down labor-market standards.¹³

- **Provide the opportunity for low-wage workers to be self-sufficient through work by updating outdated wage standards.** North Carolina’s minimum wage, currently matched

with the federal minimum wage of \$7.25 per hour, lags behind what it actually takes to make ends meet and is insufficient to keep many state residents out of poverty. Full-time minimum-wage workers in North Carolina earn a total of only \$290.00 per week, approximately \$15,080.00 per year before taxes. The federal poverty threshold for 2009, on the other hand, is \$17,098 for a family of three, and according to the more realistic Living Income Standard, the typical North Carolina family of three actually needs \$41,920 to afford basic expenses.¹⁴ Moreover, the minimum wage’s purchasing power has eroded over time; since 1968 increases have not made up for the decline in value. Instituting automatic annual adjustments would account for this decline.¹⁵

As of January 2011, the minimum wage increased in seven states, and currently 18 states and the District of Columbia have minimum wages higher than the federal standard.¹⁶ Even a modest increase to \$8.25 would increase earnings for a full-time minimum-wage worker by \$2080 per year. A study by the Federal Reserve Bank of Chicago found that for every dollar increase in the minimum wage, minimum-wage workers increase spending by approximately \$800 per quarter.¹⁷ Such direct economic stimulus, specifically one that does not require public tax dollars, could be invaluable to the state’s economic recovery.

- **Ensure that all North Carolinians have equal access to such basic protections as the minimum wage and overtime pay.** In addition to addressing wage adequacy, it is important to remember that a sector of the state’s workforce does not have access to the protections of such basic labor standards as the minimum wage and overtime pay. North Carolina’s farmworkers and domestic workers have fewer and weaker protections on both the state and federal levels.¹⁸ In addition, employees are unprotected when employers incorrectly classify them as independent contractors, thereby shirking their legal obligations to pay their workers the minimum wage and overtime pay. Misclassification is a growing problem in North Carolina that keeps workers from legal protections, puts a strain on government resources, and gives employers who misclassify an unfair advantage when bidding for contracts.

1 President Franklin Roosevelt sent this message to Congress on May 24, 1937 in the context of the Fair Labor Standards legislation.

2 A family where all family members age 15 and over have a combined work effort of 39 or more weeks in the last 12 months or all family members age 15 and over have a combined work effort of 26 or more weeks in the last 12 months and one currently unemployed parent looked for work in the previous four weeks. Working Poor Families Project Data Framework of Indicators and Source Data, 2011.

3 Working Poor Families Project, 2011. Analysis by Population Reference Bureau of the American Community Survey.

4 Working Poor Families Project, 2009. Analysis by Population Reference Bureau of the American Community Survey.

5 Economic Policy Institute analysis of Current Population Survey data. The amount of \$228.80 is based on a 40 hour work week, 52 weeks per year. Food prices are based on the USDA’s Thrifty Food Basket for June 2011, an average of the family of four with children 2-3 and 4-5 and a family of four with children 6-8 and 9-11.

6 Economic Policy Institute analysis of Current Population Survey data.

7 See National Employment Law Project’s (NELP) Briefing Paper, 2011. A Strong Minimum Wage Can Help Working Families, Businesses and Our Economy Recover. NELP.

8 Reich, Michael, Peter Hall, and Ken Jacobs, 2003. Living Wages and Economic Performance: The San Francisco Airport Model, Institute of Industrial Relations at the University of California, Berkeley.

9 Ibid. The study found that the cost to replace an average airport worker was approximately \$4,275.

10 Bernhardt et al., 2009. Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America’s Cities. National Employment Law Project.

11 North Carolina Department of Labor Wage and Hour Division, Annual Report 2010.

12 A landmark study was undertaken in 2008 documenting the scope of wage theft in three cities: Los Angeles, New York and Chicago. See Bernhardt et al., 2009. Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America’s Cities. National Employment Law Project.

13 Ibid.

14 U.S. Census Bureau, Weighted Average Poverty Thresholds 2009 and Alexandra Forter Sirota, 2010. Making Ends Meet After the Great Recession: The 2010 Living Income Standard for North Carolina. NC Justice Center.

15 See Ettlinger, Michael, October 2006. Securing the Wage Floor: Indexing Would Maintain Minimum Wage Value, Provide Predictability to Employers. Economic Policy Institute.

16 United States Department of Labor, Wage and Hour Division, Minimum Wage Laws in the States. Accessed at <http://www.dol.gov/whd/minwage/america.htm>

17 Aaronson, Daniel, Sumit Agarwal, and Eric French, 2008. The Spending and Debt Response to Minimum Wage Hikes. Federal Reserve of Chicago.

18 The federal Fair Labor Standards Act (FLSA) excludes agricultural workers from overtime pay and although federal minimum wage protections were extended to agricultural workers in 1966, North Carolina still excludes agricultural workers from its minimum wage and overtime laws. Home care workers also remain excluded from the FLSA protections and although fifteen states currently provide wage and overtime coverage and twenty-one states and D.C. provide minimum wage protections, North Carolina leaves its home care workers unprotected